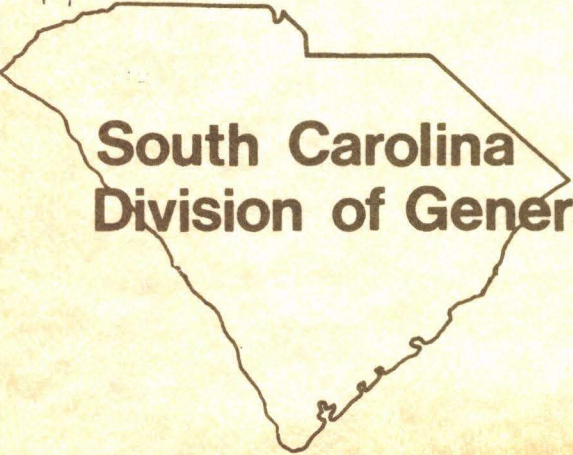


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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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COASTAL CAROLINA UNIVERSITY

AGENCY

JULY 1, 1991 - JUNE 30, 1993

DATE

STATE OF SOUTH CAROLINA
State Budget and Control Board
DIVISION OF GENERAL SERVICES



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WILLIAM D. BOAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

December 10, 1993

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Rick:

I have attached Coastal Carolina University's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the University a three (3) year certification as noted in the audit report.

Sincerely,

Hardy L. Merritt
Assistant Division Director

HLM/jj

Attachment

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Scope.....	4
Results of Examination.....	5
Certification Recommendations.....	8
University Response.....	9
Follow-up Review.....	10

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HARDY L. MERRITT, Ph.D.
ASSISTANT DIVISION DIRECTOR

December 1, 1993

Dr. Hardy Merritt
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Hardy:

Effective July 1, 1993, the South Carolina General Assembly separated the University of South Carolina Coastal Campus from the University of South Carolina and created Coastal Carolina University. Upon its establishment as a separate state agency, Coastal Carolina University requested that we perform an audit for certification.

We have examined the procurement policies and procedures of Coastal Carolina University, then USC-Coastal, for the period July 1, 1991 - June 30, 1993. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and University procurement policy. Additionally, the evaluation was used in

determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of Coastal Carolina University is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place Coastal Carolina University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.



R. Voight Shealy, CFE, Manager
Audit and Certification

SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of Coastal Carolina University and its related policies and procedures to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions. Because the University had been a regional campus of the University of South Carolina until July 1, 1993, we also tested additional procurements during our October 1, 1989 - June 30, 1993 audit of the University of South Carolina.

Our review of the procurement system included the following areas:

- (1) All sole source and emergency procurements and trade-in sales for the audit period
- (2) A review of all local issued purchase orders for the fiscal years 91/92 and 92/93. These purchase order values ranged from \$0 to \$2,500.00. The total purchase orders reviewed numbered 3,090.
- (3) A block sample review of 534 direct expenditure vouchers (DEV's) for compliance with internal policy.

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures for small purchases at Coastal Carolina University for the period July 1, 1991 through June 30, 1993.

Our on-site review was conducted July 19-22, 1993, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. The audit was instituted because on July 1, 1993, USC-Coastal Carolina became Coastal Carolina University, a new State agency. The new University has requested certification limits as follows:

Goods and Services	\$25,000
Consultants	25,000
Information Technology	25,000

Coastal Carolina University has established its procurement system in a professional manner. We did note, however, the below listed items which should be addressed by management.

A. Compliance - Order Splitting

We noted six instances where groups of procurements should have been combined and processed through competitive solicitations instead of being handled under the Code's small purchasing procedures. These purchase orders in each group were supported by the same informal written quotes. Separate requisitions were submitted by the departments to the Purchasing Office at different times, thus constituting small purchases. These exceptions were as follows:

<u>Group</u>	<u>PO Date</u>	<u>PO#</u>	<u>PO Amount</u>	<u>Description</u>
1	05/14/92	C1749	\$ 950.00	Computer printer
	05/19/92	C1800	475.00	Computer printer
	05/19/92	C1803	1,425.00	Computer printer
	05/19/92	C1807	475.00	Computer printer
	05/20/92	C1811	475.00	Computer printer
	05/20/92	C1815	475.00	Computer printer
			<u>\$3,800.00</u>	
2	04/10/91	C0007	895.00	Carpet extractor
	04/10/91	C0008	1,810.00	Carpet extractor
			<u>\$2,705.00</u>	
3	05/01/92	C1614	2,365.00	Audio visual equipment
	05/01/92	C1615	677.00	Audio visual equipment
	05/01/92	C1623	719.00	Audio visual equipment
			<u>\$3,761.00</u>	
4	05/01/92	C1628	2,214.00	Camera lens
	05/01/92	C1629	487.65	Camera lens
			<u>\$2,701.65</u>	
5	05/21/92	C1834	1,146.85	Building materials
	05/25/92	C1841	2,071.81	Building materials
	05/27/92	C1855	1,481.92	Building materials
			<u>\$4,700.58</u>	
6	08/09/91	C0525	475.65	Traffic paint
	08/09/91	C0526	474.80	Traffic paint
			<u>\$ 950.45</u>	

Regulation 19-445.2100(a) states in part:

Any procurement under this regulation not exceeding \$2,499.99 may be made by governmental bodies provided, however, that procurement requirements shall not be artificially divided by governmental bodies so as to constitute a small purchase under this Subsection. Procurements of supplies and services or construction initially estimated to exceed \$2,499.99 shall not be made by the small purchase method, even though resulting awards do not exceed such amounts.

By dividing the orders as shown above and processing each one as a small purchase, the University violated the Code and Regulations. With the exception of group number 6, these items should have been combined and procured through the sealed bid process.

We recommend that the Purchasing Office scrutinize department requisitions for evidence of splitting orders that would result in circumvention of the competitive process.

B. Time and Date Stamping of Bids

We noted most bids or quotations were not time or date stamped when received. So that the timely receipt of responses can be verified, we recommend that all bids and quotations be time and date stamped as they are received.

C. Procurement Procedures Manual

Since Coastal Carolina University is not under the University of South Carolina purchasing office anymore, Coastal Carolina must compile its own internal procurement operating procedures manual. We recommend this be done and submitted to the Office of Audit and Certification for approval.

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the Coastal Carolina University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations. Most importantly, the University must complete an internal procurement procedures manual and submit it to this office for review. Corrective action should be accomplished by November 1, 1993.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend Coastal Carolina University be certified to make direct agency procurement for three years up to the limits as follows:

<u>Procurement Areas</u>	<u>Recommended Certification Limits</u>
I. Goods and Services	*\$25,000 per purchase commitment
II. Consultant Services	*\$25,000 per purchase commitment
III. Information Technology in accordance with the approved Information Technology Plan	*\$25,000 per purchase commitment

*Total potential commitment to the State whether single year or multi-term contracts are used.


James M. Stiles, CPPB
Audit Manager


R. Voight Shealy, CFE, Manager
Audit and Certification



Office of the President

P.O. Box 1954, Conway, SC 29526
(803) 347-3161

P.O. Box 1954, Myrtle Beach, SC 29578
(803) 448-1481

October 19, 1993

Mr. Voight Shealy
Manager, Audit and Certification
S. C. Division of General Services
1209 Main Street, Suite 600
Columbia, S. C. 29201

Dear Voight:

This letter is in response to your draft audit report for Coastal Carolina University. I have discussed the report with appropriate staff and we agree to your recommendations.

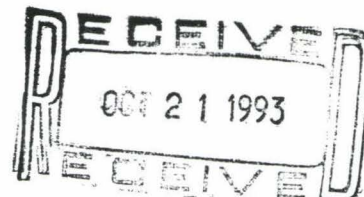
In the section entitled "Results of Examination", there were three findings. The first dealt with order splitting and this has been remedied through changes in management which will prevent holding departmental requests until late Spring of each year. The second recommendation was that all materials in the Purchasing Office be date-stamped; a timed date stamper has been ordered to accommodate this need. The third recommendation was for a Purchasing Manual to be written. This is being produced at this very moment and will be forwarded to your attention immediately upon completion. Coastal Carolina University realizes that the Purchasing Manual must be approved prior to our receiving certification from the Budget and Control Board.

Thank you for fitting Coastal's request into your tight schedule. It is a pleasure to work with you and your staff. Please contact me if any additional materials are needed.

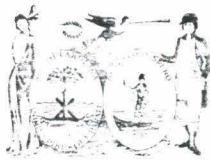
Sincerely,

Ronald R. Ingle
President

nh



STATE OF SOUTH CAROLINA
State Budget and Control Board
DIVISION OF GENERAL SERVICES



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LUTHER F. CARTER
EXECUTIVE DIRECTOR

December 10, 1993

Dr. Hardy Merritt
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Hardy:

We have reviewed Coastal Carolina University's response to our audit report for July 1, 1991 - June 30, 1993. We are satisfied that the University has corrected the problem areas and that internal controls over the procurement system are adequate.

Therefore, we recommend that the Budget and Control Board grant Coastal Carolina University the certification limits noted in our audit report for a period of three (3) years.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

RVS/jj

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